

BOARD MEETING DATE: June, 4, 2010

AGENDA NO.

PROPOSAL: Execute Contract for Greenhouse Gas Registry

SYNOPSIS: This action is to execute a contract with MGM International and Mercury Public Affairs for their consulting services related to the development of an AQMD Greenhouse Gas Registry in an amount not to exceed \$200,000 from the Undesignated Fund Balance.

COMMITTEE: Climate Change, May 20, 2010

RECOMMENDED ACTIONS:

- (1) Appropriate \$200,000 from the Undesignated Funds Balance to the Planning, Rule Development and Area Sources' FY 2010-11 Budget, Professional & Special Services account.
- (2) Authorize the Chairman to execute a contract with MGM International and Mercury Public Affairs for their consulting services related to the development of an AQMD Greenhouse Gas Registry, in an amount not to exceed \$200,000.

Barry R. Wallerstein, D.Env.
Executive Officer

EC:JW:af

Background

Through Regulation XXVII – Climate Change, the AQMD has developed mechanisms for private parties to voluntarily follow pre-approved protocols to generate certified greenhouse gas (GHG) emission reductions. In addition, parties can also elect to pay a mitigation fee to the AQMD. Staff will pool these funds and implement greenhouse gas reduction projects that will also follow pre-approved protocols and result in certified emission reductions.

The Board approved the release of RFP #2009-09 for Greenhouse Gas Reduction Program Services at their January 9, 2009 meeting. The purpose of the RFP was to solicit qualified entities to provide the services to facilitate trades between participants in voluntary GHG reduction programs sponsored by the AQMD. A goal of that effort was to have AQMD provide GHG reduction program participants with an active, transparent, and low-cost mechanism for trading AQMD certified GHG emission reductions.

The intent of the RFP was to contract with entities to provide the structure and means for establishing a viable transaction mechanism for certified greenhouse gas emission reductions issued by the AQMD. Additional consideration in awarding the contract was to be given to bidders who incorporated AQMD revenue in their proposal. Desired qualifications included experience in providing services related to financial transactions with specific experience with trading pollution control instruments, commodity futures, or other standardized contracts.

Outreach

Advertisement for the initial RFP was done in accordance with AQMD's Procurement Policy and Procedure. A public notice advertising the RFP/RFQ and inviting bids was published in each of the following newspapers: *Los Angeles Times*, *Orange County Register*, *San Bernardino Sun*, and *Riverside County Press Enterprise*. Notice of the RFP was mailed to the Black and Latino Legislative Caucuses and various minority chambers of commerce and business associations, the State of California Contracts Register website, and placed on the Internet at AQMD's Web site (<http://www.aqmd.gov/>) where it could have been viewed by making menu selections "Inside AQMD"/"Employment and Business Opportunities"/"Business Opportunities" or by going directly to <http://www.aqmd.gov/rfp/index.html>). Information was also available on AQMD's bidder's 24-hour telephone message line (909) 396-2724. Staff also sent emails to about two dozen potentially interested parties.

A voluntary Bidder's Conference was held on January 23, 2009. Five persons representing five organizations attended. Three responses were received by the due date of February 20, 2009. Staff re-released the RFP on June 24, 2009 for 30 days in order to solicit additional responses. The same outreach as above was conducted. In addition, emails were sent to approximately 150 parties that included an interested parties list for AQMD Regulation XXVII and additional potential bidders that staff identified through Internet searches.

A voluntary Bidder's Conference was also held on July 9, 2009. Eight persons representing 6 companies attended. Four responses were received by the due date of July 24, 2009, including revised proposals from two companies that had responded to the first release of the RFP and two additional responses.

Bid Evaluation

The evaluation panel consisted of the Executive Officer, a Deputy Executive Officer, an Assistant Deputy Executive Officer, and a Director. The panel included two males and two females. One of the reviewers was Asian, and three were Caucasian.

Proposal

After considering the responses, the changing policy and regulatory setting, and how best to meet the AQMD's needs, staff is recommending that this project be implemented in phases as outlined by the tasks summarized below. As an initial effort (Task 1), AQMD seeks contractor services to help ensure AQMD's role in both state and federal GHG programs, to understand the needs of our potential customers, and to draw upon lessons learned from the existing carbon trading programs that will assist us in designing our own program. MGM International and Mercury Public Affairs are best qualified of the respondents to comprehensively fulfill the requirements of this effort. MGM International specializes in providing a full spectrum of carbon services including GHG project development, project financing, and carbon trading. Its clients include both government and private industry. Mercury Public Affairs is a public affairs consultancy firm with extensive experience developing and implementing strategic outreach campaigns for a variety of clients, including environmental and energy projects. Their clients include a wide array of businesses.

Tasks 2 and 4 may be done by the same contractor team based on successful completion of Task 1 and with funding levels to be determined in the future and subject to Board approval. Task 3, the development of software for the Registry, would be a subsequent request for proposals process.

Summary of Tasks for Greenhouse Gas Reduction Program Services:

Task 1 – There are 3 components to this task with expected completion in 6-9 months with a total funding request of \$200,000.

Task 1A – The contractor will seek to ascertain AQMD certified greenhouse gas offsets to be valid under the state and federal programs. Funding for this task would not exceed \$75,000.

Task 1B – The contractor will survey stakeholders and potential users to assess their support and desired capability of AQMD's program and perform a comprehensive analysis of the survey to provide key information regarding issues associated with carbon trading and AQMD activities. Funding for this task would not exceed \$75,000.

- Task 1C – The contractor will perform a comprehensive assessment of current carbon trading platforms both in the United States as well as around the world and conduct an analysis of which programs best represent models that AQMD may use for its own platform. Funding for this task would not exceed \$50,000.
- Task 2 – Contingent on the outcome of Task 1, the contractor may be asked to develop design specifications for an AQMD GHG Registry. Funding for this task will be determined upon completion of Task 1 and subject to Board approval.
- Task 3 – A separate RFP would be issued for the development of software, user interfaces, and operational procedures for the AQMD Registry, contingent on the results of Tasks 1 and 2.
- Task 4 – The contractor would develop and implement an outreach and marketing strategy for the Registry. This would occur after completion of Task 3 and the funding will be determined later and subject to Board approval. Inclusion of AQMD revenue would be considered within Task 4.

Benefits to AQMD

Staff believes that this initial phase of work would assist AQMD in understanding the market demand and consequently designing a more effective GHG credit program. It will also help staff in providing comments on proposed state or federal cap-and-trade GHG programs.

A Greenhouse Gas Registry for AQMD certified emission reductions is expected to be of benefit to businesses or entities in the AQMD that may need such reductions to satisfy CEQA greenhouse gas obligations or to voluntarily surrender emission reductions to offset a company or family carbon footprint. Once a cap-and-trade program is approved by the state and/or federal agency, the AQMD Registry can provide valid offsets to potential users. These in-basin GHG reductions can encourage local investments and retain co-benefits locally. Development of an easy-to-use system will enable potential buyers and sellers to be aware of the availability and price of certified greenhouse gas reductions. Other programs outside the AQMD may allow use of these reductions as offsets against compliance obligations. Having the Registry will provide certainty and AQMD oversight regarding these reductions.

Resource Impacts

Sufficient funds are available from the Undesignated Fund Balance for this contract. Existing staff resources will be used to administer this contract.